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MELTON REAL ESTATE LTD.
Annual Report 1969

MELTON REAL ESTATE LTD.

Annual Report

for the year ended December 31, 1969

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STANDING:— J. McCracken, S.M. Beckhuson, W.G. Holmes, G.R. Brosseau, W.G. Bennett
 SEATED:— L.G. Lemieux, J.R. Sherrin, S.L. Melton, Hon. E.C. Manning, A. Borys

Directors

STEWART BECKHUSON

WILLIAM G. BENNETT

ANDREW BORYS

GEORGES R. BROSSEAU, B.A., LL.B.

DANIEL DANILOWICH

WILLIAM G. HOLMES, C.A.

LEO G. LEMIEUX

HON. ERNEST C. MANNING, P.C., C.C.

JOHN McCracken

STANLEY L. MELTON

JOHN R. SHERRIN

Corporate Information

OFFICERS

STANLEY L. MELTON President

JOHN R. SHERRIN Vice-President

WILLIAM G. HOLMES, C.A. Secretary-Treasurer

HEAD OFFICE

Melton Building, 10310 Jasper Avenue
Edmonton, Alberta

REGISTRAR & TRANSFER AGENT

ROYAL TRUST COMPANY
Edmonton, Calgary and Vancouver

AUDITORS

Willetts MacMahon & Co.

BANKERS

Canadian Imperial Bank of Commerce

STOCK LISTED

Vancouver Stock Exchange

FINANCIAL HIGHLIGHTS

	1969	1968 (3 months)
Net Income	\$ 304,235	\$ 42,739
Earnings per Share	15¢	2¢
Number of Shares Outstanding	2,033,503	1,849,802

Report to the Shareholders



S.L. Melton
President

On behalf of the Board of Directors I am pleased to submit the Second Annual Report of the Company for year ending December 31st, 1969.

Despite high interest rates and the difficulty in obtaining mortgage funds new records were established for sales, gross income and net earnings.

Net earnings of the Company for the year after provision for current and deferred income tax amounted to \$304,235. equal to 15 cents a share. This is an increase of 47% over the 1968 total after tax net earnings of the companies that were amalgamated.

Working capital showed considerable improvement increasing by \$958,315.

Income from operating divisions for the year amounted to \$1,023,115. which is 33% higher than 1968's gross earnings of the companies amalgamated.

REAL ESTATE DIVISION

Value of property sold for others amounted to almost \$60,000,000. which is a 30% increase over the preceding year.

INVESTMENT DIVISION

Gross income from the Land Development Department showed an increase of 180% over income for the preceding year. The popularity and appeal of our Broxton Park Subdivision in the Village of Spruce Grove, and the sale of all the lots in the Patricia Heights Subdivision in West Edmonton, were the main contributors to the success of the Department. Planning is underway for the development of the next phase of both of these areas.

We were not able to construct the amount of income producing properties we had anticipated due to the lack of mortgage funds.

Mortgage income of \$182,006. includes interest earned on the note from Farmers & Merchants Trust which was given as part of the purchase of the shares of Trans-Canada Savings & Trust Corporation.

Because of present tight money policies and high interest rates it is difficult to obtain financing. And believing that it is prudent to conserve the working capital of the Company so that it is in a position to service a sufficient number of residential lots to meet this year's demand, and develop more income producing real estate, your Directors have decided that it is in the best interests of the shareholders to defer payment of a dividend at this time.

While 1970 has started reasonably well our business of providing homes has been seriously affected by the Government's present policies of tight money and high interest rates designed to combat inflation. It does not appear that inflation has been curbed as the consumer price index has increased so far this year and the rate of inflation is about the same as it has been since mid 1969.

It is the opinion of your Directors that we will continue to experience tight money conditions and high interest rates for most of 1970, and this coupled with the sharp reduction in wheat exports, which will be felt throughout the whole economy and particularly in the West, will make the sale and development of real estate difficult, and in common with many national companies we will do well to maintain earnings equal to last year.

Notwithstanding these circumstances, we look forward to the seventies with confidence and anticipate that Western Canada will experience a greater growth in the next decade than any previous ten year period.

Our Company is in a very strong position to capitalize on the tremendous growth that lies ahead as the financial base of our Company has improved in the past year, and the number and quality of our personnel has increased through recruitment, training and experience and we feel that our loyal, competent staff is one of the main keys to our firm's success.

The excellent contribution made to the Company's progress by our dedicated, staff cannot be overrated, and we feel it should be drawn to our Shareholders' attention, and we wish to express our sincere thanks and appreciation for their keen interest and unstinting effort in the performance of their respective duties and responsibilities.

And in closing we would like to thank our shareholders for their interest and confidence, and wish you every success.

S.L. Melton,
On behalf of the Board of Directors

melton real estate ltd. and subsidiary companies

ASSETS		BALANCE SHEET December 31, 1968
		1968 for Comparison
Trust Assets		
Cash	112,002	86,033
	<u>\$ 112,002</u>	<u>\$ 86,033</u>
Current Assets		
Accounts and notes receivable	652,980	180,122
Real estate held for resale — at the lower of cost or net realizable value	1,855,890	924,417
Prepaid expenses and deposits	7,293	10,252
Total current assets	<u>2,516,163</u>	<u>1,114,791</u>
Investments — at cost		
Shares in non-consolidated subsidiary company — Note 1	89,251	785,736
Mortgages and notes	1,453,824	1,444,919
Rental properties — cost less accumulated depreciation of \$74,172 (1968 — \$56,703)	1,736,212	1,746,224
Other investments	512,878	199,187
	<u>3,792,165</u>	<u>4,176,066</u>
Fixed Assets		
Furniture and leasehold improvements — cost less accumulated depreciation of \$53,739 (1968 — \$40,274)	51,805	49,654
Other Assets		
Goodwill	181,505	181,505
	<u>\$ 6,541,638</u>	<u>\$ 5,522,016</u>
See auditors' report attached.		

SHEET
31, 1969

LIABILITIES AND SHAREHOLDERS' EQUITY

1968 for
Comparison

Trust Liabilities		
Trust clients	112,002	83,365
Due to general fund	—	2,668
	<u>\$ 112,002</u>	<u>\$ 86,033</u>
Current Liabilities		
Bank advances — secured	651,209	1,016,518
Accounts payable	700,034	206,466
Notes payable including accrued interest	76,087	124,511
Income taxes payable	159,013	19,949
Mortgages payable on real estate held for resale	654,009	429,851
Total current liabilities	<u>2,240,352</u>	<u>1,797,295</u>
Accumulated Tax Reduction Applicable to Future Years — Note 2	<u>126,783</u>	<u>46,766</u>
Long-term Liabilities		
Mortgages payable on rental properties	<u>1,186,347</u>	<u>1,259,763</u>
Shareholders' Equity		
Share capital		
Authorized — 3,000,000 shares of no par value		
Issued — Note 3	1,577,283	1,209,881
Retained earnings	1,410,873	1,208,311
	<u>2,988,156</u>	<u>2,418,192</u>

APPROVED ON BEHALF OF THE BOARD

S.L. Melton

Director

W.G. Holmes

Director

\$ 6,541,638

\$ 5,522,016

melton real estate ltd. and subsidiary companies

STATEMENT OF INCOME

For the year ended December 31, 1969

1968 for
Comparison
Three Months

Income		
Real estate brokerage	298,841	77,721
Land development	336,893	17,335
Rentals	149,467	39,871
Mortgages	182,006	42,739
Other	55,908	—
	<u>1,023,115</u>	<u>177,666</u>
Expenses		
Administrative	230,139	53,064
Interest	190,108	48,254
Depreciation	40,294	9,965
	<u>460,541</u>	<u>111,283</u>
Income before income taxes	562,574	66,383
Provision for income taxes — Note 2	<u>258,339</u>	<u>23,644</u>
Net income	<u>\$ 304,235</u>	<u>\$ 42,739</u>

STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1969

Balance, December 31, 1968	1,208,311
Net income for the year	<u>304,235</u>
	1,512,546
Dividends paid	<u>101,673</u>
Balance, December 31, 1969	<u>\$ 1,410,873</u>

SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1969

Funds provided		
Operations		282,600
Sale of Trans-Canada Savings and Trust Corporation		281,700
Issue of common shares		365,002
Mortgage principal collections		424,026
Return of capital from other investments		51,207
		<hr/>
Total funds provided		1,404,535
Funds applied		
Capital expenditures		
Rental properties — Net	87,560	
Furniture	15,616	
Other investments	220,824	
Reduction in long-term liabilities	20,547	
Dividends	101,673	
	<hr/>	
Total funds applied		446,220
		<hr/>
Improvement in Working Capital		958,315
Working capital deficiency, December 31, 1968		(682,504)
		<hr/>
Working capital, December 31, 1969		\$ 275,811
		<hr/> <hr/>

melton real estate ltd.
and subsidiary companies

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1969

NOTE 1

The accompanying financial statements consolidate the accounts of all subsidiary companies except for the assets and liabilities of Trans-Canada Joint Mortgages Corporation Ltd. which is not consolidated because of the different nature of its business.

NOTE 2

The companies have adopted methods of reporting income for income tax purposes which differ from methods of recording these items in the accounts. As a result current income taxes are less than the amount charged against income. This reduction amounting to \$80,017 has been included in "Accumulated tax reductions applicable to future years".

NOTE 3 —

Shares issued during the year

	<u>Number</u>	<u>Amount</u>
For cash	182,501	365,002
To employees for long service	1,200	2,400
	<hr/>	<hr/>
Balance, December 31, 1968	183,701	367,402
	<hr/>	<hr/>
Balance, December 31, 1969	2,033,503	\$ 1,577,283
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NOTE 4

Remuneration received by directors including officers who are directors amounted to \$175,962.

WILLETTS MACMAHON & COMPANY

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Melton Real Estate Ltd.

We have examined the balance sheet of Melton Real Estate Ltd. and subsidiary companies as at December 31, 1969 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the company as at December 31, 1969 and the results of its operations and source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Willetts Macmahon & Company

Chartered Accountants

EDMONTON, Alberta
March 16, 1970

Real Estate Sales Division



J.R. Sherrin
General Manager

Real Estate sales for our Company reached an all time high in 1969. Our Sales Volume of \$60,000,000 was a 30% increase over 1968. In Edmonton we led the Multiple Listing Bureau in sales for the Ninth consecutive year. Our Edmonton M.L.S. volume of \$13,497,536. was a 48% increase over 1968 and was 48% ahead of our closest competitor.

In Calgary our M.L.S. sales showed a 9% increase over 1968 and we anticipate accelerated growth during 1970.

In Saskatoon our Sales Volume was 19% below that of 1968. Economic conditions in this area have slowed considerably and we feel that our decrease was in accordance with the industry in general.

During 1969 we increased our sales staff by 12%. Our 150 salesmen are the best trained and most qualified in the industry.

Despite high interest rates and difficulty in securing mortgage money we believe that our Real Estate Sales will be maintained at their present high level.

Real Estate Sales Volume

VOLUME IN MILLIONS OF DOLLARS





Edmonton Department Managers

SEATED:— J. MacNaught, P. Turner, S. Dudar, T. Henderson

STANDING:— G. Wengreniuk, D. Clark, H. Dundas, T. Hansen, I. McKinnon



Calgary Department Managers

G. Phelps, A. Larson, V. Gramlich, W.G. Bennett, D. Danilowich, I. Knechtel, J. Hickey

Land Development Division



J. McCracken
Manager

VILLAGE OF SPRUCE GROVE

The sale of lots in Broxton Park Subdivision during 1969 exceeded our expectations, 262 lots were sold out of a total of 338 available in the subdivision. Indications are that the balance of the lots will be sold during the early part of 1970.

A preliminary plan of the 600 acres we control adjacent to the Village of Spruce Grove has been prepared and approved in principle by the Village Council. Application for annexation of this land has been made.

Work and planning are underway so that additional lots may be available this fall in the second phase of this development. The availability of mortgage funds will determine to a large extent the number of lots to be made available.

TOWN OF LEDUC

The shortage of mortgage funds seriously curtailed sale of lots in Corinthia Park Subdivision during 1969. However, since the completion of two show homes at the end of the year, the interest shown by builders and prospective home purchasers has been most encouraging and we anticipate reasonably good activity in 1970. Again, the availability of mortgage funds will govern the number of sales.

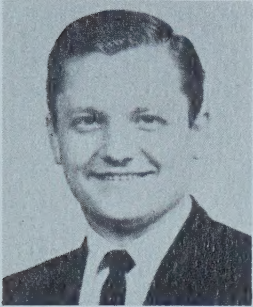
LAMB HOLDINGS LTD.

Melton Real Estate Ltd. has a 25% interest in this company which owns approximately 515 acres in the west end of the City of Edmonton. Preliminary plans for development of part of this land have been approved by the city and we expect to have residential lots and apartment sites available for development or sale in the fall of 1970.



Broxton Park

Investment Properties Division

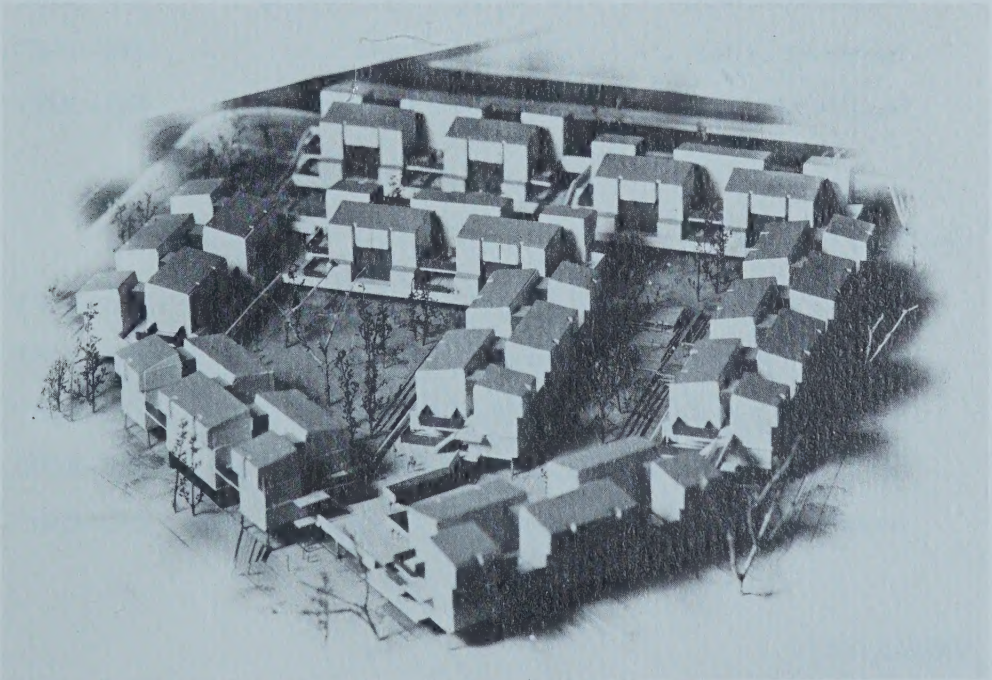


T. Heisler
Manager

HILLINGTON COURT

Arrangements have been completed on Hillington Court (pictured below) and construction is scheduled to begin in the latter part of May. Hillington Court has received an award for excellence of design, one of twelve selected projects judged from 183 entries. These awards were featured in the 1969 Canadian Architect Year Book.

All dwellings have the merits of a Single Family home with their own large outdoor privacy area. All parking is covered and easily accessible to the dwellings above. This project totals 102 units, 68 being 3 bedroom and 34 being 2 bedroom.



FUTURE PROJECTS

Future projects include a High-Rise Apartment in West Edmonton, a Shopping Complex in the Village of Spruce Grove to compliment our land development in Broxton Park Subdivision and a large Garden Apartment Complex in Calgary.

List of Offices

EDMONTON —

Head Office	10310 Jasper Avenue	424—7221
Glenora Office	12418 — 102 Avenue	488—0121
Jasper Place Office	15512 Stony Plain Road	489—2551
Norwood Office	8308 — 118 Avenue	479—3231
Northwest Office	40, 13160 — 118 Avenue	455—9191
Southeast Office	9006 — 75 Street	466—1147
Southwest Office	10810 — 82 Avenue	439—3995

CALGARY —

Main Office	534 — 8 Avenue S.W.	266—8671
Chinook Office	Chinook Shopping Center	252—1181
North Hill Office	4, 1818 Center Street N.	276—2281
Northwest Office	14 Stadium Shopping Center	289—8406
Southwest Office	6 Glamorgan Shopping Center	249—5551

SASKATOON —

Main Office	119 — 23 Street East	653—3636
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